CANARA BANK (TANZANIA) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

BOARD OF DIRECTORS

Mr. Matam Venkata Rao	Chairman (Non-executive)	Indian	(w.e.f. 18.03.2019)
Mr. Santanu Kumar Majumdar	Director (Non-executive)	Indian	(w.e.f 13.05.2019)
Mr. Rajab Seleman Kakusa	Director (Independent)	Tanzanian	(w.e.f. 17.08.2016)
Ms. Mwanaidi A Mtanda	Director (Independent)	Tanzanian	(w.e.f 20.06.2019)
Prof. Deus D Ngaruko	Director (Independent)	Tanzanian	(w.e.f 24.12.2019)
Dr. Indiael D Kaaya	Director (Independent)	Tanzanian	(w.e.f 24.12.2019
Mr. T R Balaji Rao	Director (Executive)	Indian	(w.e.f. 16.07.2019)
Mr. Vibhuti Nath Roy Choudhary	Director (Executive)	Indian	(w.e.f. 16.07.2019)

INDEPENDENT AUDITORS

Bakertilly DGP & Co
Certified Public Accountants
P.O. Box 1314
Dar es Salaam

BANKERS

i) Bank of Tanzania
P.O. Box 2939
Dar es Salaam

ii) Citi Bank
New York
United States of America

iii) Bank of India (T) Limited
Maktaba Street
P.O. Box 7581
Dar es Salaam

iv) CRDB Bank Plc
Azikiwe Street
P.O. Box 268
Dar es Salaam

v) Canara Bank, India
Integrated Treasury Wing
5th/6th floor, Plot no. G-14, C Block
Bandra Kurla Complex , Bandra -East
Mumbai 400051, India

REGISTERED CORPORATE OFFICE

Canara Bank (T) Limited
16/1 Elia Complex
Zanaki, Bibi Titi Street
P.O. Box 491
Dar es Salaam
Telephone: +255 22 2112534
Email: mdcbtl@canarabank.co.tz

PARENT BANK CORPORATE OFFICE

Canara Bank India Head Office
112, J C Road
Bengaluru
Karnataka - India 560002

INTRODUCTION

We have great pleasure in presenting the Bank's 5th Annual Report along with the Audited financial statements for the year ended 31 December 2020.

Canara Bank (Tanzania) Ltd was registered under Tanzania company Act, 2002 on 2 November 2015. The license to conduct Banking Business was granted to our Bank on 5 May 2016 by Bank of Tanzania in accordance with the provisions of Section 7 of the Banking and Financial Institutions Act 2006. However, actual Banking operations started on 9 May 2016 with opening of Dar es Salaam Branch which is the only branch as on date.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31 December 2020.

OUR PARENT BANK: Canara Bank, India

Widely known as a customer-centric Bank, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred and fifteen years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks, with a Business mix as on 31st December 2020 stood at USD 219 Billion with Operating Profit of USD 1.9 Billion and Net Profit of USD 206 Million.

Over the years, the Bank has scaled up its market position to emerge as a major 'Financial Conglomerate' with as many as fifteen subsidiaries/sponsored institutions/joint ventures in India and abroad. The amalgamatred with syndicate bank into Canara bank effective from April1, 2020 has led to further expansion of the Bank to 10,491 branches.

Not just in commercial banking, the Bank has also carved a distinctive mark, in various corporate social responsibilities, namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes and spearheading financial inclusion objective. "A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of the Bank's Founder continue to resonate even today in serving the society with a purpose. We strongly believe that the Bank's second century is going to be equally rewarding and eventful not only in service of the nation but also in helping the Bank emerge as a "Preferred Bank with Best Practices".

Presently, Government of India holds 69.33% of Bank's total shareholding.

ECONOMIC OVERVIEW: TANZANIA

The East African nation of Tanzania has an estimated population of 58 million as of 2020 as per National Bureau of Statistics(NBS). According to Bank of Tanzania until Sept 2020, the economy demonstrated satisfactory performance, amidst negative impact of COVID-19 on some sectors that are exposed to external shocks .GDP growth averaged 4.7 percent compared to 7.3 percent in the corresponding period of 2019.

The growth was mainly driven by construction, agriculture, transport, and mining and quarrying. These activities benefited from the Government decision of not imposing lockdown following the outbreak of COVID-19 as well as fiscal and monetary policy measures adopted to limit the impact of the pandemic.

Inflation, remained low and stable, averaging 3.1 percent in the quarter ending December 2020 compared with 3.7 percent in the corresponding quarter in 2019, largely driven by decrease in food prices. The inflation outturn was within the target range of 3-5 percent for 2020/21 and in line with the EAC and SADC convergence criteria of utmost 8.0 percent and between 3-7 percent, respectively.

The 2020/21 budget reflects the government's high priorities in enabling environment for investment and business. The government plans to improve economic infrastructure, ensure friendly tax and financial policies, promote better regulatory framework, ensure availability of land, work permits and skilled labour force and emphasising the importance of agriculture in an industrial led economy.

BANKING SECTOR PERFORMANCE:

For the year 2020, as reported by Bank of Tanzania, money supply growth moved in tandem with accomodative monetary policy, though faced with global challenges of COVID-19 on lending to some sectors of the economy.

Credit to private sector grew by 3% percent compared to a growth of 11.1% percent for the year ending December 2019. The subdued growth of credit to the private sector was partly attributable to the global negative effects of COVID-19 on some activities.particularly tourism-related businesses due to high exposure to external shocks.

Consistent with adequate liquidity in the banking system that emanated from the implementation of accommodative monetary policy, Interest rates charged on banks loans and deposits eased somewhat in the Quarter ending December 2020 compared to corresponding period of 2019.

BANK'S PERFORMANCE DURING 2020

Despite business challenge brought by the emerged COVID 19 Pandemic during the year 2020, the bank was able to achive aggregate business of TZS 129.7 Billion and made Net Profits of TZS1.66 Billion

The highlights of the performance in 2020 were as under:

KEY BUSINESS FIGURES

Particulars	(Amount in Tzs. Millions) December 31, 2020	(Amount in Tzs. Millions) December 31, 2019
Aggregate Deposits	81,249	69,899
Aggregate Advances	48,425	35,634
Total Business	129,674	105,533
Investments	30,890	25,372
Gross NPA	1,311	4,126
Net NPA	1,000	4,085
Net Interest Income	5,458	5,365
Operating Profit	2,582	2,151
Net Profit/(Loss)	1,658	1,472
Business per employee	5,187	4,588

KEY PERFORMANCE INDICATORS

Particulars	December 31, 2020	December 31, 2019
Net Interest Margin	5.27%	5.56%
Cost to Income Ratio	55.87%	64.66%
Return on capital employed	4.41%	4.09%
Return on Assets	1.364%	1.363%
Gross NPA	2.69%	11.54%
Net NPA	2.05%	11.43%

WAY FORWARD

- Mobile banking enhancement
- Bancassurance
- Introducing Internet banking facility for customers.
- Launching new deposit and credit products.
- Increased use of IT enabled services.
- Automation of Management Information System.

DIVIDENDS

Being newly established Bank and to increase the base for future business growth, we do not propose to pay dividend for the financial year 2020.

CAPITAL

There was no change in the Capital of the Bank during the financial year 2020. During the financial year 2016, the Bank had started with initial capital of TZS 24.00 Billion from the parent Bank. Capital of Bank increased from 24 Billion to TZS 30 Billion on 11th May 2016 . Further on 22nd Nov 2016 Capital increased from TZS 30 Biillion to TZS 32.83 Billion. As per guidelines issued by Bank of Tanzania, the commercial banks should have minimum capital of TZS 15.00 Billion. The Bank has complied with the norm.

CAPITAL ADEQUACY

As per the regulations of Bank of Tanzania, Bank should maintain Total minimum capital adequacy of 14.5% of Risk weighted assets and Core capital adequacy of 12.5% of risk weighted assets. As against this, Bank is maintaining Total capital and Core Capital adequacy ratios of 54.62% and 54.56% respectively.

SOLVENCY

Financial statement have been prepared on a going concern basis. The bank has adequate resources to support operations for the foreseeable future.

BUSINESS REVIEW

A. DEPOSIT

Bank provides all Banking services which includes accepting deposits in local TZS currency and foreign currency mainly USD that includes saving Accounts, Current Account and Fixed Deposits. During the year our deposits increased from TZS 69.9 Billions to TZS 81.2 Billions.

B. ADVANCES

Bank is active in financing various types of economic activities which mainly include trading, manufacturing, construction, services like transport, export of agricultural commodities, import of goods and personal loans. During the year our advances increased from TZS 35.66 Billion to TZS 48.4 Billion.

C. REMITTANCES

Bank Provides active remittance services to expatriates at attractive rates with speed. For speed remittance, Bank is using e-Remit service of Canara Bank, India which gives fast credit to Any Banks customer accounts in India.

BOARD OF DIRECTORS

The names of Directors of Board of Canara Bank (Tanzania) Limited in Financial Year 2020 are as under:

Sl. no.	Name of director	Nationality	Position	Serving since
1	Mr. Matam Venkata Rao	Indian	Chairman (Non-executive)	(w.e.f. 18.03.2019)
2	Mr. Santanu Kumar Majumdar	Indian	Director (Non-executive)	(w.e.f 13.05.2019)
3	Mr. Rajab Seleman Kakusa	Tanzanian	Director (Independent)	(w.e.f. 17.08.2016)
4	Ms. Mwanaidi A Mlanda	Tanzanian	Director (Independent)	(w.e.f 20.06.2019)
5	Prof. Deus D Ngaruko	Tanzanian	Director (Independent)	(w.e.f 24.12.2019)
6	Dr. Indiael D Kaaya	Tanzanian	Director (Independent)	(w.e.f 24.12.2019
7	Mr. T R Balaji Rao	Indian	Director (Executive)	(w.e.f. 16.07.2019)
8	Mr. Vibhuti Nath Roy Choudhary	Indian	Director (Executive)	(w.e.f. 16.07.2019)

BOARD COMMITTEE

The Board was supported by the following committees during the year 2020.

1. Audit committee

Sl. no.	Name of director	'Nationality	Position
1	Mr. Rajab Seleman Kakusa	'Tanzanian	Chairman
2	Ms. Mwanaidi A Mtanda	'Tanzanian	Member
3	Dr. Indiael D Kaaya	'Tanzanian	Member

2. Credit committee

Sl. no.	Name of director	'Nationality	Position
1	Mr. Santanu Kumar Majumdar	'Indian	Chairman
2	Prof. Deus D Ngaruko	'Tanzanian	Member
3	Dr. Indiael D Kaaya	'Indian	Member

3. Risk management committee

Sl. no.	Name of director	'Nationality	Position
1	Prof. Deus D Ngaruko	'Tanzanian	Chairman
2	Mr. Santanu Kumar Majumdar	'Indian	Member
3	Dr. Indiael D Kaaya	'Tanzanian	Member

Board meeting and other committee meetings were held as per guidelines of regulator during 2020 on 06 March 2020, 25 June 2020, 4 September 2020 and 01 December 2020.

DIRECTORS RESPONSIBILITY

The Board of Directors confirms that in the preparation of Annual financial statement for the year ended 31st December 2020.

- Accounting policies framed in accordance with the guidelines of Bank of Tanzania, were consistently applied.
- The applicable accounting standards have been followed.
- Proper and sufficient care was taken for maintenance of adequate accounting records with the provisions of applicable guidelines governing Banks in Tanzania.
- True and fair view of the state of affairs of the Bank and profit of the Bank is given at the year ended 31 December 2020.

CORPORATE GOVERNANCE

Directors are committed to the principles of good corporate governance and recognize the need to conduct the Banking business with best practices. Therefore Directors confirm that:

- The Board of Directors conducted the meeting regularly in the year 2020.
- The position of the Chairman & Chief Executive officer are held by different persons.
- They have effective control over the company and its executive management.
- Board exercises the responsibility for policy decisions, budgeting & monitoring performance.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, requirements of the Companies Act, 2002 & the Banking and Financial Institution Act, 2006 and the guidelines of Bank of Tanzania.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the bank's cash flow forecast for the year to December 31, 2021 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

The external auditors are responsible for independently auditing and reporting on the bank's financial statements. The financial statements have been examined by the bank's external auditors and their report is presented on pages 9 to 12.

The financial statements set out on pages 13 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 18th March 2021 and were signed on their behalf by:

....	....
Mr. T R Balaji Rao	Mr. Rajab Seleman Kakusa
Managing Director	Director

Place: Dar Es Salaam
Date: 18/03/2021

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/ Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I FADHILI PETRO SANGA being the Head of Finance of Canara Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Canara Bank (Tanzania) Limited as on 31 December 2020 and that they have been prepared based on properly maintained financial records.

Signed by: ....

Position: HEAD OF FINANCE

NBAA Membership No. GA 5296

Date: 18/03/2021

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Advisory | Assurance | Tax

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Opinion

We have audited the financial statements of Canara Bank (Tanzania) Limited (the Bank), which comprise the Statement of Financial Position as at 31st December 2020, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with The National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	How our audit addressed the area of focus and results of our audit
Allowances for impairment on loans and advances **Refer to notes 15 of the financial statement.** Consideration is given at each financial statement position date to determine whether there is any indication of impairment of the carrying values of the bank's loans and advances. Indications could be failure by borrowers to fully meet terms and conditions of the loans and advances, poor servicing of loans & advances and severe economic slowdown in a given sector. Determinations of impairment provisions remains a highly subjective and judgmental area. Furthermore, the Bank is subject to significant regulatory scrutiny with respect to	Our work covered impairment of loans and advances to customers. We understood and tested key controls and focused on: • The identification of impairment events and classification of loans • The governance over the impairment processes • The review and approval process that management have in place for the outputs of the Bank's impairment model. We assessed the use of historic experience to estimate impairment events which have occurred but not reported and to derive estimates of future cash flows.

provisioning levels. In assessing impairment amount, the estimated future loan recoveries (future cash flows) are discounted to their present values based on the time value of money and the risk specific to an individual loan or the group of loans.	We also focused on the calculations of required impairment provisions, including the use of a model, and in particular the critical assumptions used in the model and calculations. These assumptions include: 1. Timing of the expected cash flows 2. Expected future cash flows 3. Discount rates 4. Quality of security maintained 5. Time taken to realize security. Further, we evaluate the accuracy of impairment tests applied. **Results of our work** Based on procedures performed and evidence obtained, we found management assumptions to be reasonable and therefore consider provisions to be appropriate.
Revenue recognition **Refer to notes 6 of the financial statements** Interest income is recognized in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method, based on the actual purchase price. The effective interest rate method is a method of calculating the amortized cost of financial assets of a financial liability and of allocating the interest or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Once a financial asset or a group of similar financial assets have been written down as a result of impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss. Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act has been performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are	We considered the appropriateness of the Bank's income and other similar income recognition accounting policies, including the recognition and classification criteria for revenue. We assessed transactions taking place at either side of the statement of financial position date to evaluate whether interest income and interest expense were recognized in the correct period ***Results of our work*** Based on our procedures performed and evidence obtained, we found that revenue was fairly stated

recognized on completion of the underlying transaction. There is a risk that revenue may be overstated because fraud as a result of pressure management may feel to achieve performance targets.	

Emphasis of Matter
On 11 March 2020, the world Health Organization declared Corona virus (COVID-19) outbreak a pandemic in recognition of its rapid spread across the globe. COVID-19 affects the bank in certain uncertainties for the future financial position and performance of the Bank. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the financial statements. Our audits assess and challenge the reasonableness of estimates made by the bank, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on the assessment of the future economic environment and the bank's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to COVID-19.

Other information
The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the directors.

Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Companies Act, 2002, we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books;

iii) the director's report is consistent with the financial statements;

iv) information specified by the law regarding director's remuneration and transactions with the Bank is disclosed; and

v) the Bank's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

For **Baker Tilly DGP & Co.**
Certified Public Accountants,

……………………………
Kailas K. Bhattbhatt
Partner

Place : Dar es Salaam
Date : 16th March 2021

CANARA BANK (TANZANIA) LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

	Note	2020 TZS '000	2019 TZS '000
INTEREST INCOME			
Interest Income	7	8,750,584	8,167,402
Interest Expenses	8	(3,292,983)	(2,802,029)
Net Interest Income		5,457,601	5,365,373
OTHER OPERATING INCOME			
Fees & Commission	9	850,825	895,681
Operating Income		**6,308,426**	**6,261,054**
Provision of impairment	27(ii)	(201,248)	(61,624)
Net Operating Income		**6,107,178**	**6,199,431**
Operating expenses	10	(3,524,730)	(4,048,318)
Profit/(loss) before taxation		**2,582,448**	**2,151,112**
Income tax (charge)/credit	16	(924,162)	(678,808)
Profit/(loss) for the year		**1,658,286**	**1,472,304**
Other Comprehensive Income		-	-
TOTAL COMREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,658,286**	**1,472,304**

The financial statements on pages 13 to 36 were approved by the Board of Directors on ...18th March............2021 and signed on its behalf by:

Mr. T R Balaji Rao
Managing Director

Mr. Rajab Seleman Kakusa
Director

Place: Dar Es Salaam
Date: ....18/03/2021.............

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statemen

Report of the Auditors - Pages 9 to 12

CANARA BANK (TANZANIA) LIMITED
Statement of financial position
As at 31 December 2020

	Note	2020 TZS '000	2019 TZS '000
ASSETS			
Cash	11(i)	1,279,032	405,326
Balances with Bank of Tanzania	11(ii)	3,824,459	6,601,309
Deposits and balances with Other banks and financial institutions	12	35,076,663	37,534,894
Government securities	13	30,890,000	25,371,800
Loans and advances (Net)	15	48,424,852	35,634,012
Debtors and other receivables	14	855,287	610,958
Income tax recoverable	16(ii)	755	755
Property, plant & equipment	18(i)	660,882	1,017,346
Right to use Assets	18(ii)	555,615	833,422
Total assets		**121,567,545**	**108,009,822**
LIABILITIES			
Customer deposits	19	81,248,901	69,899,458
Lease Liabilities	20(i)	534,678	764,923
Other liabilities	20(ii)	2,072,246	1,324,976
Income tax payable	16(ii)	3,246	51,191
Deferred tax liability	17	82,910	1,994
Total liabilities		**83,941,980**	**72,042,542**
SHAREHOLDERS' EQUITY			
Share capital		32,830,000	32,830,000
Retained earnings		4,754,214	2,308,698
Statutory reserve		41,351	828,582
Total shareholders' equity		**37,625,565**	**35,967,279**
Total equity and liabilities		**121,567,545**	**108,009,822**

The financial statements on pages 13 to 36 were approved by the Board of Directors on ....18th.....March......2021 and signed on its behalf by:

Mr. T R Balaji Rao
Managing Director

Mr. Rajab Seleman Kakusa
Director

Place: Dar Es Salaam
Date: ...18/03/2021...........

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 12

CANARA BANK (TANZANIA) LIMITED
Statement of changes in equity
For the year ended 31 December 2020

	Attributable to equity holders of the Bank				
	Share Capital TZS '000	**General Reserve TZS '000**	**Statutory Reserve TZS '000**	**Retained earnings TZS '000**	**Total equity TZS '000**
Balance at 1st January 2019	32,830,000	493,374	45,925	1,125,677	**34,494,976**
Transfer to retained earnings	-	(493,374)	-	493,374	
Transfer to statutory reserve	-	-	782,657	(782,657)	-
Total comprehensive income for the year	-	-	-	1,472,304	**1,472,304**
Balance at 31st December 2019	**32,830,000**		**828,582**	**2,308,698**	**35,967,280**
Balance at 1st January 2020	32,830,000	-	828,582	2,308,698	**35,967,279**
Impairment provision of assets on opening balance - IFRS 9	-	-	-	-	-
Deferred tax assets on Impairment provision of assets on opening balance - IFRS 9	-	-	-	-	-
Transfer to retained earnings	-	-	(787,231)	787,231	-
Total comprehensive income for the year	-	-	-	1,658,286	**1,658,286**
Balance at 31st December 2020	**32,830,000**	-	**41,351**	**4,754,214**	**37,625,565**

The financial statements on pages 13 to 36 were approved by the Board of Directors on 18th March 2021 and signed on its behalf by:

Mr. T R Balaji Rao
Managing Director

Mr. Rajab Seleman Kakusa
Director

Place: Dar Es Salaam
Date: 18/03/2021

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 12

CANARA BANK (TANZANIA) LIMITED
Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 TZS '000	2019 TZS '000
Cash flows from operating activities			
Profit before taxation		2,582,448	2,151,113
Adjustments for:			
Depreciation		693,708	1,239,148
Provision for Impairment of assets		201,248	61,624
Loss on disposal of fixed assets		-	-
Net foreign exchange gain		(174,725)	(137,857)
Net cash flow before changes in working capital		**3,302,679**	**3,314,028**
Change in statutory minimum reserve - see note 11(ii)		62,320	(937,829)
Change in investment in Treasury Bills & Bonds		(11,676,207)	978,155
Change in loans and advances to customers		(12,992,088)	(839,934)
Change in debtors and other receivables		(252,183)	6,165
Change in loans to other financial institutions		(1,009,157)	(3,000)
Change in customers deposits		11,349,443	3,336,531
Change in other creditors		747,269	116,124
Cash generated from operations before tax		**(10,467,924)**	**5,970,241**
Income tax paid	16(ii)	(891,191)	(612,787)
Net cash flow from operating activities		**(11,359,115)**	**5,357,454**
Cash flows from investing activities			
Purchase of property, plant & equipment	18	(58,410)	(19,389)
Net cash used in investing activities		**(58,410)**	**(19,389)**
Cash flows from financing activities			
Payment of lease Liabilities	20(i)	(230,245)	(346,307)
Net cash generated from financing activities		**(230,245)**	**(346,307)**
Net cash flow for the period		(11,647,770)	4,991,759
Effect of exchange rate changes on cash and cash equivalents		174,725	137,857
Cash and cash equivalents as at 1st January		48,369,871	43,240,255
Cash and cash equivalents as at 31st December	22	36,896,824	48,369,871

The financial statements on pages 13 to 36 were approved by the Board of Directors on ...18th March......2021 and signed on its behalf by:

Mr. T R Balaji Rao
Managing Director

Mr. Rajab Seleman Kakusa
Director

Place: Dar Es Salaam
Date: .....18/03/2021.......

The accounting Policies and Notes on pages 17 to 36 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 12

1. GENERAL INFORMATION

Canara Bank (Tanzania) Limited is a wholly owned, subsidiary of Canara Bank India. It has been incorporated under the Tanzanian Companies Act, 2002 on 2 November 2015. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 5 May 2016. The Bank commenced business on 09 May 2016.

2. ACCOUNTING CONVENTION

The Financial statements have been prepared under the historical cost convention of accounting modified to include revaluation of financial instruments whereever applicable. The Bank prepares its financial statements under International Financial Reporting Standards (IFRS).

3. ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS

3.1 Standards, Amendments to the standards and Interpretations effective on or after January 202

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early. The following amendments are effective for the period beginning on or after 1 January 2020:

1. IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

2. IFRS 3 Business Combinations (Amendment – Definition of Business) .

3. IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

4. Revised Conceptual Framework for Financial Reporting

5. IFRS 17 Insurance Contracts

6. Annual Improvements 2015-2017 Cycle

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
  IAS 23 Borrowing Costs

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of accounting

Canara Bank (Tanzania) Limited has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared and presented on historical cost conventions modified to include revaluation of financial instruments wherever applicable.

(ii) Revenue recognition

Income is recognized on an accrual basis. When an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

4. SIGNIFICANT ACCOUNTING POLICIES(CONT)

(iii) Foreign currency transactions

In preparing the financial statements of the entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except of differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

(iv) Financial assets

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale

- ***Financial assets at fair value through profit or loss***:- A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.

- ***Loans and receivables***:- Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.

- ***Held-to-maturity***:- Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.
- ***Available for sale***:- Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade date. Loans and receivables are recognised when cash is advanced to the borrowers. All financial assets are initially recognised at fair value plus transaction cost. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES(CONT)

(v) Impairment of financial assets

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on "Financial assets at fair value through profit or loss", "Financial assets Held-to-maturity" or Financial assets available for sale", the amount is measured as difference between the assets carrying cost and its present value of estimated future cash flow discounted at the effective interest rate. The carrying amount is reduced through an allowance account and the amount of loss is recognised in the income statement.

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

No. of days Overdue	Classification	Provision (%)
Below 30	Standard	Nil
31 - 90	Especially mentioned	3
91 - 180	Substandard	20
181 - 360	Doubtful	50
Above 361	Loss	100

In case IFRS-9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts.

Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

The special non-distributable reserve created shall not be part of bank's core capital. In other words, the reserve will not be taken into account when computing Core capital of the bank. Where the bank has made a loss or has negative retained earnings, the excess provision should be added to accumulated losses when computing core capital.

(vi) Property, plant & equipment

All property, plant & equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquition of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES(CONT)

(vi) Property, plant & equipment(Cont)

Subsequent costs are included in the asset's carrying amount or are recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the asset will flow to the bank for more than one year. All other repairs and maintenance expenses are charged to the income statement.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets on a reducing balance basis over their estimated useful lives. The annual depreciation rates in use are:

- Computers & hardware 37.50% (WDV)
- Motor vehicles 37.50% (WDV)
- Office furniture & equipment 12.50% (WDV)
- Computer software 33.33% (Flat)

All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

(vii) Lease

The bank is having lease transactions during the year. Bank has lease agreement for the office premises and residential premises.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
Right of use assets have been shown separately on the face of the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES(CONT)

(vii) Lease (Cont)

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liabilities have been shown separately on the face of the financial statements.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The outstanding Bank Premises lease is for two years. Minimum lease payment (Undiscounted) is as follows:

- Next year TZS 213,368,544
- Year 2 through year 3 TZS 213,368,544
- beyond three year Nil

Outstanding Residential premises lease is for a period of two years and the minimum lease payment(Undiscounted) is as follows:

- Next year TZS 84,912,000
- Year 2 through year 3 TZS 84,912,000
- beyond Three year Nil

4. SIGNIFICANT ACCOUNTING POLICIES(CONT)

(viii) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months maturity from the date of acquisition, including cash, non-restricted balances with Bank of Tanzania, balances with other commecial banks, money market and investments in government securities.

(ix) Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

The amount of deferred tax provided is based on the tax rate that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

(x) Provisions

Provisions are recognised when the Bank has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

(xi) Employee benefits

All short term employee benefits are provided for in the income statement on accrual basis. Further, employees are members of a defined contribution scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

(xii) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

(xiii) Statutory reserves

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IFRS-9 approach and BOT regulatory approach. IFRS-9 provision should be charged to the income statement. In case IFRS-9, provisions for classified assets is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve".

5. RISK MANAGEMENT

Operating in a liberalised and globalised environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as Credit risk, market risk, liquidity risk, operational risk and strategic risk.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liability, Credit and Operational Risk and ICT Commitees, which are responsible for developing and monitoring bank's risk management policies in their specified area. All Board committees have both executive and non executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

(i) Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including:-

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with
- Establishing the authorisation structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.
- Reviewing and assessing credit risks.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

5. RISK MANAGEMENT (CONT)

(i) Credit risk (Cont)

Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk, is given below:

Particulars	Balance outstanding including unrecovered interest	Secured	Unsecured
Standard	44,430,142,384	38,486,574,322	5,943,568,062
ESM	3,022,074,629	3,022,074,629	0.00
Substandard	1,319,309,939	1,311,133,969	8,175,970
Doubtful	0.00	0.00	0.00
Loss	0.00	0.00	0.00

There was impairment loss on loans and advances of TZS 201 Million during the year. The bank has complied with the requirements of the Bank of Tanzania and the International Financial Reporting Standards as explained in note 4 (v).

The occurrence of COVID 19 had slight impact on bank credit risk in year 2020. Due to changes in customers business environment, the bank in compliance with BOT guideline had restructured customer Loans amounting to TZS 9.8 Billion as at December 2020 as compared to TZS 2.9 Billion reported in December 2019 . The Expected credit risk allowances amounting to TZS 4.4 Million is related to restructured loans.

(ii) Market risk

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

(iii) Liquidity risk

The bank is exposed to daily calls on its available cash resources from over night deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

Despite the emergence of COVID 19, the bank has been able to operate with adequate liquidity and complying with BOT requirement. As at December 2020, bank was maintaining liquidity ratio of 35.13% which is above regulatory limit of 20%. Futher, maturity gap analysis between assets and liabilities of the bank, reveals positive net maturity gap as per annexure in page 26.
Management forecast for next 12 months reveals that bank will have adequate liquidity to support business requirements.

(iv) Interest rate risk

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimise the bank's exposure to interest rate risk.

5. RISK MANAGEMENT (CONT)

(iv) Interest rate risk (Cont)

The interest sensitivity gap performed as at december 2020, shows that the bank has positive interest sensitivity gap as it holds more rate sensitive assets than rate sensitive liabilities and thefore changes in interest rate not expected to adversely affect earnings as shown in an annexure in page 27.
The management projections for next year also shows positive interest rate sensitivity gap.

(v) Currency risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

As at December 2020, the total bank exposure to foreign currency exchange risk amounted to TZS 149 Million, being only 0.5 % of available core capital which is within a limit of 7.5% set by regulator, as shown in annexure in page 28.

(vi) Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all the bank's activities.

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each department level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standard;
- Risk mitigation, including insurance where this is effective.

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management of the branch, with summaries submitted to the Audit Committee.

Annexure to note 5 (iv)

Table showing Interest sensitivity gap

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate on off balance sheet items. All figures are in thousands of Tanzania Shillings.

Particulars	Up to 1 month TZS '000	1 to 3 months TZS '000	3 to 6 months TZS '000	6 to 12 months TZS '000	Over 1 years TZS '000	Non interest bearing TZS '000	Total TZS '000
ASSETS							
Cash	-	-	-	-	-	1,279,032	1,279,032
Balance with Bank of Tanzania	-	-	-	-	-	3,824,459	3,824,459
Balances with other banks and financial institutions	621,275	-	-	-	-	-	621,275
Cheques & other items for clearing	-	-	-	-	-	32,004	32,004
Investment in debt securities	998,211	997,219	7,209,253	4,047,929	8,596,307	-	21,848,919
Interbank loans receivables	26,613,000	5,465,000	2,154,931	231,000	-	-	34,463,931
Loans, advance and overdrafts	8,687,887	2,330,412	7,055,398	7,579,257	23,118,573	-	48,771,527
commercial and other bills purchased	-	-	-	-	-	-	-
Bank premises, furniture & equipment	-	-	-	-	-	2,686,498	2,686,498
Other assets	-	-	-	-	-	918,543	918,543
Provision for impairments	(364,146)	-	-	-	-	-	(364,146)
Total Assets	36,556,227	8,792,631	16,419,581	11,858,186	31,714,880	8,740,536	114,082,042
LIABILITIES							
Demand deposits/call deposits	-	-	-	-	-	3,736,664	3,736,664
Savings deposits	2,370,773	-	-	-	-	-	2,370,773
Time deposits	5,541,191	8,400,198	9,940,979	15,565,038	2,609,557	-	42,056,964
Special deposits	-	-	-	-	-	-	-
Deposits with banks and financial institutions	16,134,500	16,950,000	-	-	-	-	33,084,500
Bankers cheques & draft issued	-	-	-	-	-	-	-
Accrued taxes & other expenses	-	-	-	-	-	2,064,558	2,064,558
Other liabilities	-	-	-	-	-	628,522	628,522
Total Liabilities	24,046,464	25,350,198	9,940,979	15,565,038	2,609,557	6,429,745	83,941,981
INTEREST SENSITIVITY GAP	12,509,762	(16,557,567)	6,478,602	(3,706,852)	29,105,323	2,310,791	-

Annexure to note 5 (v)

Table showing Bank's exposure to foreign currency exchange rate risk

The table below analyses the bank's assets and liabilities at carrying amounts, categorized by currency. All amounts are expressed in

Particulars	USD	GBP	EURO	INR	OTHERS	Total
ASSETS						
Cash	687,874	-	-	-	-	687,874
Bank balances in current account	748,893	-	-	44,694	-	793,587
Money market placement	21,713,931	-	-	-	-	21,713,931
Loans, advance and bills	30,246,990	-	-	-	-	30,246,990
Other assets	120,130	-	-	-	-	120,130
Total Assets	**53,517,819**	-	-	**44,694**	-	**53,562,513**
LIABILITIES						
Deposits	53,000,586	-	-	-	-	53,000,586
Other liabilities	711,405	-	-	-	-	711,405
Total Liabilities	**53,711,991**	-	-	-	-	**53,711,991**
Net Balance sheet position	(194,173)	-	-	44,694	-	(149,479)
Exchange rate as at 31st December 2020	2310	-	-	29	-	

6. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirement set by the regulator;
- To safeguard the Bank's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BOT), for supervision purposes. The required information is filed with the BOT on a quarterly basis.

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of Tzs. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 12.5%; and
- Maintain total capital of not less than 14.5% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital: Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital.

Tier 2 capital: Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk weighted assets are ensured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the bank for the period ending on 31st December, 2020:

Minimum capital required for market risks-Standardized Measurement method	**Amount (Tzs)**
Foreign Exchange Risk	23,300,725
Interest Rate Position Risk	-
Equities Position Risk	-
Total Minimum capital required for market risk	23,300,725
Adjusted risk weighted assets	**Risk-weight equivalents**
Credit risk on balance sheet items	53,603,490,753
Credit risk on off balance sheet items	7,840,118,808
Total Minimum capital required for market risk	291,259,064
Total Minimum capital required for operational risk	6,978,882,766
Total adjusted risk weighted assets and off balance sheet exposures	68,713,751,391.91
Available capital	
Available core capital	37,492,903,217
Available total capital	37,534,254,121
Capital adequacy ratios	
Core capital to risk weighted assets and off balance sheet exposures	54.56%
Total capital to risk weighted assets and off balance sheet exposures	54.62%

Particulars	**BOT Requirement**	**Actual**
Core capital to total adjusted risk weighted assets	12.5%	54.56%
Total capital to total adjusted risk weighted assets	14.5%	54.62%

		2020	2019
		TZS '000	**TZS '000**
7	**INTEREST INCOME**		
	Interest on loans and advances	4,619,782	4,225,387
	Interest on Government securities	2,554,035	2,843,598
	Interest on deposits and bank balances	1,576,767	1,098,417
		8,750,584	**8,167,402**
8	**INTEREST EXPENSE**		
	Interest on customer deposits	2,611,158	1,950,126
	Interest paid on borrowings from other bank	681,825	851,903
		3,292,983	**2,802,029**
9	**FEES & COMMISSION**		
	Commission eamed including forex earnings	326,739	289,734
	Bank charges, Exchange on demand drafts etc.	524,086	605,947
		850,825	**895,681**
10	**OPERATING EXPENSES**		
	Employees salaries and other benefits	1,303,080	1,455,849
	Advertisement & publicity	58,441	24,723
	Audit fees	28,625	33,778
	Depreciation & amortisation	693,708	1,239,149
	Director fees	13,860	20,218
	Excise duty	67,001	70,126
	City service levy	12,445	12,543
	License fees	80,780	71,208
	Entertainment expenses	-	1,657
	Bank charges	28,988	24,133
	Postage & courier charges	1,443	1,439
	Telephone & internet charges	121,198	128,993
	Insurance	198,325	190,413
	Legal & professional fees	32,405	11,785
	Membership & subscription	8,687	41,773
	Miscellaneous expenses	17,780	9,579
	Swift & reuters service charges	130,646	68,143
	Printing & stationary	16,977	40,873
	Interest Expense on Lease Liability	62,280	88,108
	AMC charges	395,385	401,444
	Repairs and maintenance	24,732	23,969
	Security charges	49,365	51,066
	Training expenses	8,297	5,407
	Transportation expenses	6,693	3,848
	Travelling, hotel expenses etc.	10,186	3,997
	Utility expenses	26,962	24,097
	Unrecoverable VAT	126,441	-
		3,524,730	**4,048,318**

		2020	2019
		TZS '000	TZS '000
	Breakup of Employees salaries and other benefits:		
	Salaries	884,011	850,631
	Entertainment allowance	27,660	36,260
	Conveyance allowance	8,185	14,449
	Other allowances	193,889	347,395
	Education fee reimbursement	19,908	27,266
	Residential rent	-	-
	Skills and development levy	64,200	64,200
	Workers compensation fund	14,233	14,233
	Pension fund contribution	88,213	88,213
	Medical assistance	4,557	4,955
	Staff welfare	7,553	8,247
		1,312,409	1,455,849
11.	**CASH AND BALANCES WITH BANK OF TANZANIA**		
(i)	Cash balance	1,279,032	405,326
(ii)	**Balance with Bank of Tanzania**		
	Statutory minimum reserve (SMR)	2,901,410	2,963,730
	Current account/clearing account	923,087	3,637,645
		3,824,497	6,601,375
	Less;ECL Allowance as per IFRS 9	(38)	(66)
		3,824,459	6,601,309
12.	**DEPOSITS AND BALANCES DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS**		
	Banks in Tanzania	33,372,084	35,789,138
	Banks abroad	1,713,348	1,764,633
		35,085,432	**37,553,771**
	Less:ECL Allowance as per IFRS 9	**(8,769)**	**(18,877)**
		35,076,663	**37,534,894**
	Maturing within 3 months	32,699,275	36,173,771
	Maturing after 3 months	2,386,157	1,377,000
		35,085,432	37,553,771
13.	**GOVERNMENT SECURITIES**		
	Investments in Treasury Bills	8,095,272	13,948,719
	Investments in Treasury Bonds	22,795,037	11,423,349
	Less:ECL Allowance as per IFRS 9	(309)	(268)
		30,890,000	**25,371,800**
	Maturing within 3 months	1,995,430	8,153,128
	Maturing after 3 months	28,894,570	17,218,672
		30,890,000	25,371,800
14.	**DEBTORS AND OTHER RECEIVABLES**		
	Interest receivable	676,231	399,779
	Prepaid expenses	91,311	107,686
	Others	95,598	112,226
		863,140	**619,691**
	Less:ECL Allowance as per IFRS 9	(7,853)	(8,733)
		855,287	**610,958**

		2020	2019
		TZS '000	TZS '000
15.	**LOANS & ADVANCES TO CUSTOMERS (NET)**		
	Corporate loans	47,789,283	35,642,766
	Staff loans	279,917	20,734
	Personal loans	702,327	80,830
		48,771,527	35,744,330
	Less:ECL Allowance as per IFRS 9	(346,675)	(110,318)
		48,424,852	35,634,012
	Sector wise analysis of loans and advances		
	Manufacturing	11,217,027	12,474,487
	Real estate	3,613,289	3,501,355
	Trade and commerce	14,118,992	6,676,879
	Transport and Communication	5,302,025	7,109,449
	Warehousing & Storage	2,110,713	3,304,021
	Other services	5,278,547	2,657,405
	Staff loans	19,201	20,734
	Agriculture	7,111,734	
		48,771,527	**35,744,329**
	Maturity analysis		
	Repayable on demand	-	7,021,639
	Repayable in 3 months or less	11,018,299	3,230,228
	Repayable between 3 months and 1 year	14,634,655	11,656,448
	Repayable after 1 year	23,118,573	13,836,015
		48,771,527	**35,744,329**
16	**TAXATION**		
(i)	**Income tax expense/(credit)**		
	Current income tax @ 30% of tax adjusted profits - see note 16(ii)	843,246	651,191
	Deferred tax expense/(credit) - see note 17	80,916	27,617
		924,162	**678,808**
(ii)	**Income tax receivable/(payable)**		
	Opening balance	(50,436)	(12,031)
	Tax paid for current year	840,000	600,000
	Tax paid for previous year	51,191	12,786
		840,755	600,755
	Less: tax charge for current year	(843,246)	(651,191)
	Net Income tax Payable	**(2,491)**	**(50,436)**
	Less: Recoverable tax	755	755
	Income tax payable	(3,246)	(51,191)
17.	**DEFERRED TAX LIABILITY/(ASSETS)**		
	Balance at the beginning of the year	1,994	(25,623)
	Charge/(credit) for the year - See Note 16	80,916	27,617
	Balance at the end of the year	**82,910**	**1,994**
	<u>The deferred tax liability/(asset) arises from:</u>		
	Accelerated capital allowance	9,993	(1,680)
	Other timing differences	72,917	3,674
		82,910	**1,994**

18. (i) PROPERTY, PLANT AND EQUIPMENT

	Capital WIP TZS '000	Computers & Hardware TZS '000	Motor Vehicles TZS '000	Office furniture & equipment TZS '000	Computer Software TZS '000	Total TZS '000
Cost						
At 1 January 2019	1,032.75	1,392,409	62,819	638,412	2,873,369	**4,968,042**
Additions		15,003	-	4,385	-	**19,388**
At 31 December 2019	**1,033**	**1,407,412**	**62,819**	**642,797**	**2,873,369**	**4,987,430**
At 1 January 2020	1,032.75	1,407,412	62,819	642,797	2,873,369	**4,987,430**
Additions	7	16,763	-	1,092	42,619.65	**60,482**
Transfer from WIP	(1,039.5)	-	-	-	-	**(1,040)**
At 31 December 2020	**0.00**	**1,424,175**	**62,819**	**643,889**	**2,915,989**	**5,046,872**
Depreciation						
At 1 January 2019	-	922,461	44,155	180,653	1,861,474	**3,008,743**
Charge for the year	-	178,435	6,999	57,565	718,342	**961,341**
Disposals		-	-	-	-	**-**
At 31 December 2019	-	**1,100,896**	**51,154**	**238,218**	**2,579,816**	**3,970,084**
At 1 January 2020	-	1,100,896	51,154	238,218	2,579,816	**3,970,084**
Charge for the year	-	118,209	4,374	50,609	242,708	**415,901**
On disposals	-	-	-	-	-	**-**
At 31 December 2020	-	**1,219,105**	**55,528**	**288,827**	**2,822,524**	**4,385,985**
Net Book Value						
At 31 December 2019	-	**306,516**	**11,665**	**404,579**	**293,553**	**1,017,346**
At 31 December 2020	-	**205,071**	**7,291**	**355,062**	**93,465**	**660,887**

18.(ii) RIGHT TO USE ASSET

	2020 TZS '000	2019
Opening right to use assets	833,422	1,111,230
Less;Depreciation Charge on Right to Use Assets	(277,807)	(277,807)
Closing Right to use Assets	555,615	833,422

	2020 TZS '000	2019 TZS '000
19. CUSTOMERS' DEPOSITS		
Third parties	48,164,401	37,399,458
From other banks	10,562,000	4,900,000
Related parties	22,522,500	27,600,000
	81,248,901	**69,899,458**
Maturity analysis		
Repayable on demand	6,728,676	6,728,676
Repayable in 3 months or less	35,572,896	35,572,896
Repayable between 3 months and 1 year	17,160,386	17,160,386
Repayable after 1 year	21,786,943	10,437,500
	81,248,901	**69,899,458**

		2020 TZS '000	2019 TZS '000
20.(i)	**LEASE LIABILITY**		
	Opening Lease Liability	764,923	1,111,230
	Payment of lease Liability for the year	(230,245)	(346,307)
	Closing Lease Liability	**534,678**	**764,923**

		2020 TZS '000	2019 TZS '000
20.(ii)	**OTHER LIABILITES**		
	Accrued expenses payable	139,648	105,151
	Accrued interest payable	1,892,542	1,116,753
	Accrued Interest on Lease Liability	13,367	19,123
	Duties and taxes payable	25,862	58,191
	ECL Allowance for financial gurantee and Letter of credit	502	24,635
	Other payable	325	1,123
		2,072,246	**1,324,976**

21.	**SHARE CAPITAL**		
	Authorized:		
	50,000,000 ordinary shares of Tzs 1,000 each (2019 - 50,000,000 ordinary shares of Tzs 1,000 each)	50,000,000	50,000,000
	Issued and fully paid up:		
	32,830,000 ordinary shares of Tzs 1,000 each (2019 - 32,830,000 ordinary shares of Tzs 1,000 each)	32,830,000	32,830,000
22.	**CASH AND CASH EQUIVALENTS**		
	Cash balance - see note 11(i)	1,279,032	405,326
	Balance with Bank of Tanzania (excluding SMR) - see note 11(ii)	923,087	3,637,645
	Deposits and balances due from other banks and financial institution maturing within 3 months - see note 12	32,699,275	36,173,771
	Government securities maturing within 3 months - see note 13	1,995,430	8,153,128
		36,896,824	**48,369,870**
23.	**RELATED PARTY TRANSACTIONS**		
	Related party disclosures		
	Compensation to key management personnel		
	- Employee benefits to Managing Director	189,658	215,065
	- Sitting fees paid to local director	13,860	20,218
24.	**NET TRANSACTIONS PAYMENTS/(RECEIPTS) WITH RELATED PARTIES**		
	Canara Bank, India	5,120,594	(3,959,900)
	Canara Bank, UK	2,000	1,000
	NET CLOSING BALANCE DUE FROM / (TO) RELATED PARTIES		
	Canara Bank, India	(22,477,806)	(27,598,400)
	Canara Bank, UK	462,000	460,000

Canara Bank (Tanzania) Limited
Income tax computation
For the year ended 31 December 2020

	2020 Amount (Tzs.)	2019 Amount (Tzs.)
Profit for the year	2,582,447,599	2,151,112,159
Add back:		
Depreciation on PPE	415,900,610	961,341,000
Depreciation on Right to use Assets (IFRS-16)	277,807,494	277,807,494
Interest Expense on Lease Liability right to use assets (IFRS-16)	62,280,000	88,108,000
Provison for doubtful debts	201,248,401	61,623,841
Private use of Telephone & internet charges	12,119,800	
Membership & subscription	8,687,000	
	3,560,490,904	3,539,992,494
Less:		
Wear & Tear Allowances Class I & III *(Refer note 1)*	(167,705,250)	(234,878,004)
Wear & Tear Allowances Class VII *(Refer note 2)*	(283,684,486)	(719,186,036)
Actual Rent Expense in respect of right to use assets (IFRS-16)	(298,280,544)	(415,291,955)
Taxable profit/(loss) for the year	**2,810,820,624**	**2,170,636,499**
Tax charge for the year @ 30%	**843,246,187**	**651,190,950**
Provisional tax paid during the year	840,000,000	600,000,000
Tax recoverable (payable) for the year 2020	**(3,246,187)**	**(51,190,950)**

Tax memorandum

	2020	2019
Tax recoverable (payable) as at 1st January 2020 (2019)	(50,435,790)	(12,030,840)
Provisional tax paid during the year	840,000,000	600,000,000
Tax paid in respect of prior year	51,191,169	12,786,219
Less: Tax charge for the year	(843,246,187)	(651,190,950)
Tax recoverable (payable) As at 31st December 2020 (2019)	(2,490,808)	(50,435,571)

Note 1 - Wear & tear allowance (Class I & III)

	Class I 37.50% Tzs.	Class III 12.50% Tzs.	Total Tzs.
WDV as at 1st January 2020	294,905,230	405,544,060	**700,449,290**
Additions during the year *(Refer Note 3)*	16,763,417	1,092,000	**17,855,417**
Disposal proceeds	-	-	-
	311,668,647	406,636,060	**718,304,708**
Less: Wear and tear allowance	(116,875,743)	(50,829,508)	**(167,705,250)**
WDV As at 31st December 2020	**194,792,905**	**355,806,553**	**550,599,457**

Note 2 - Wear & tear allowance (Class VII)

Year of addition	Cost	WDV as at 01.01.2020	Wear & tear allowance	WDV as at 31.12.2020
Year 2016	2,294,518,945	127,473,275	(127,473,275)	-
Year 2017	503,600,000	125,900,000	(125,900,000)	-
Year 2018	78,625,200	58,968,900	(19,656,300)	39,312,600
Year 2019	-	-	-	-
Year 2020	42,619,645	-	(10,654,911)	31,964,734
	2,919,363,790	**312,342,175**	**(283,684,486)**	**71,277,334**

Canara Bank (Tanzania) Limited
Income tax computation
For the year ended 31 December 2020

Note 3 - Additions during the year 2020

	Class I	Class III	Class VII	Total
	Tzs.	Tzs.	Tzs.	Tzs.
Computers & hardware	16,763,417	-	-	16,763,417
Office furniture & equipment	-	1,092,000	-	1,092,000
Software	-	-	42,619,645	42,619,645
	16,763,417	1,092,000	42,619,645	60,475,062

IFRS - 16	
Actual Rent	298,280,544
Residential	84,912,000
G1,G2,G3,G4	213,368,544
Depreciation charge on Right of Use Asset	277,807,494
Lease Liability payment	230,245,035
Interest Expe on Lease Liability	68,035,755
TOTAL	298,280,790